



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 17, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARD: 2
DEPARTMENT

SUBJECT: THIRD AMENDMENT TO SHOPPING CENTER LEASE WITH SUGARBUSH-1
PROPERTIES, L.P., FOR A FIVE YEAR LEASE RENEWAL OF 10,816
SQUARE FEET OF SPACE LOCATED AT 4033 CHICAGO AVENUE, NO. C
FOR SPC JESUS S. DURAN EASTSIDE LIBRARY FROM OCTOBER 1, 2019
THROUGH SEPTEMBER 30, 2024

ISSUE:

Approve the proposed Third Amendment to Shopping Center Lease Agreement with Sugarbush-1 Properties, L.P. for a five year lease renewal of 10,816 square feet of space located at 4033 Chicago Avenue, No. C, for the SPC Jesus S. Duran Eastside Library from October 1, 2019 through September 30, 2024.

RECOMMENDATION:

That the City Council:

1. Approve the proposed Third Amendment to Shopping Center Lease Agreement with Sugarbush-1 Properties, L.P. for a five year lease renewal of 10,816 square feet of space located at 4033 Chicago Avenue, No. C, for the SPC Jesus S. Duran Eastside Library from October 1, 2019 through September 30, 2024; and
2. Authorize the City Manager, or his designee, to execute the Third Amendment to Shopping Center Lease Agreement, along with making minor, non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BOARD RECOMMENDATION

On August 26, 2019, the Board of Library Trustees unanimously voted to recommend that City Council approve the Third Amendment to Shopping Center Lease with Sugarbush-1 Properties, L.P., for a five (5) year lease renewal of 10,816 square feet of space located at 4033 Chicago Avenue, No. C, for the SPC Jesus S. Duran Eastside Library from October 1, 2019 through September 30, 2024.

BACKGROUND:

On October 1, 2004, the City of Riverside entered into a 15 year lease agreement with Sugarbush-1 Properties, L.P. for the Riverside Public Library Department to occupy 10,816 square feet of space located at 4033 Chicago Avenue, No. C, Riverside, California for the SPC Jesus S. Duran Eastside Library. The 15 year lease agreement was the beginning of a long term commitment to provide library services to the Eastside community. Funding for the lease payments was secured with the 2002 voter approved \$19.00 per parcel annual property tax known as Measure C. On November 8, 2011, voters approved the renewal of the parcel tax (Measure I) for an additional 10 year term from Fiscal Year 2012/2013 to June 2022.

The Library Department was responsible for the monthly base rent, which initially started at \$12,500, and the City's share of Common Area Maintenance (CAM) charges, as well as costs associated with utilities, repairs and maintenance. The monthly base rent was increased by the net change in the Consumer Price Index (CPI) on an annual basis.

On December 10, 2004, the City executed a First Amendment to the Lease agreement, allowing for tenant improvements to be made by the Lessor which were paid by the City in the amount of \$17,420. The purpose of these improvements was to provide furniture and infrastructure to support a library operation to the public.

On June 25, 2010, a Second Amendment was executed to provide for clarification on the annual anniversary date of the lease, clarification on the rent rate calculation, resolution and payment by the City to the Lessor in the amount of \$54,648.83 in outstanding rent and CAM charges, which covered slightly more than a five year period. CAM charges are the City's proportionate share, estimated at 6.4% of all taxes and assessments, which is subject to change from time to time.

On April 9, 2019, the City Council approved the location of Bobby Bonds Park at 2060 University Avenue for the proposed new SPC Jesus S. Duran Eastside Library as part of the City's commitment to provide library services to the Eastside community. Additionally, the City Council approved the expenditure of \$100,000 of unexpended Measure Z funds, previously approved for Eastside Library site selection, to be reallocated for Eastside Library architectural services for a design concept. The City Council authorized staff to issue a Request for Proposal for an architectural firm to provide Phase 1 Design Services in an amount not to exceed \$100,000. The estimated completion of Phase 1 is fall of 2020.

DISCUSSION:

On behalf of the Library Department, the Real Property Services Division of the City's Community & Economic Development Department has negotiated with the Lessor over the past several months for a proposed Third Amendment to the Lease Agreement for a new five year lease extension to the original lease agreement. The following are the basic terms of the proposed Third Amendment:

1. Term: Five-year term will commence on October 1, 2019 and end on September 30, 2024 subject to City Council approval.
2. Base Rent: (Triple Net Lease)

Period	Monthly Base Rent	Annual Base Rent
Year 1	\$16,522.88	\$198,274.56
Year 2	\$17,018.57	\$204,222.84
Year 3	\$17,529.13	\$210,349.56
Year 4	\$18,055.00	\$216,660.00
Year 5	\$18,596.65	\$223,159.80
Total		\$1,052,666.70

There will be no increase in monthly base rent for year 1 from the last years' monthly rent. Previously the monthly base rental amount was increased based on the CPI. The monthly base rent will now increase by 3% annually on October 1 each year.

3. Additional Rent: The City will be responsible for additional rent in the form of CAM charges which are estimated at \$4,747.85 monthly, but are based on actual expenditures. This amount is also subject to change based on the Lessor's reconciliation of actual common area costs incurred. Additionally, the City will continue to be responsible for payment of utilities, repairs and maintenance costs.
4. Rent Abatement: Rent will be abated for one (1) month in November 2019.
5. Improvements: Lessor will schedule and pay for the cost of a one-time carpet cleaning for the facility.

The Library Director concurs with the recommendations in this staff report.

FISCAL IMPACT:

The fiscal impact of the recommended action over a five year term is estimated at \$1,337,537.76, which is dependent upon the actual CAM expenditures, and does not include utilities, repairs and maintenance costs for which the Library is responsible. Sufficient funds for rent, CAM charges, utilities, repairs and maintenance costs will be paid from the Measure I Account Number 514000-421000. If Measure I is not renewed prior to the June 2022 sunset, staff will review and identify an alternate funding source for the lease renewal during budget development.

Prepared by: David Welch, Community & Economic Development Director
 Certified as to
 availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Rafael Guzman, Assistant City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachment: Third Amendment to Shopping Center Lease